

United States Senate

WASHINGTON, DC 20510-3204

January 19, 2009

The Honorable Tom Coburn
United States Senate
172 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Coburn:

Thank you for your letter and for the opportunity to address the important questions you raise. I have always had great respect for your steadfast commitment to transparency, good governance, and strong oversight – both in our own government and in international institutions. I know that you and the President-elect have had, and will continue to have, a productive partnership on these issues.

Like you, and like the U.S. Permanent Representative-designate, I believe that United Nations reform must be a priority. We have seen a wave of reform initiatives in recent years. Without the benefit of a full accounting of the current state of affairs at the United Nations and knowing that we functioned for parts of the last eight years with an acting chief of mission there, I am not yet confident that these reforms were sufficient. The key challenge is to remain vigilant on reform and make these existing initiatives work so that our national interest is protected and American tax dollars are not wasted. I take very seriously my responsibility to the U.S. taxpayer to ensure that our UN contributions are well-spent and well-managed – and not diverted for purposes that are at odds with our national security. I look forward to working with the President-elect, the Permanent Representative-designate, and the Congress on these matters.

It is with this in mind that I provide the attached responses to the questions you raised in your letter. I sincerely hope that these answers are just the start of an ongoing conversation with you on these and other issues, should I be fortunate enough to be confirmed. As I said in my testimony before the Foreign Relations Committee, consultation for me is not a catch-word – it is a commitment.

I look forward to working with you and the Congress to address these and so many other important issues confronting the State Department and the United States.

Sincerely,



Hillary Rodham Clinton

cc: Susan Rice, U.S. Permanent Representative-designate

Questions and Responses

1. Reports from the State Department indicate that Ambassador Christopher Hill has taken over State Department policy as it pertains to the UNDP and is responsible for the recent decision by the State Department to reverse course and no longer require the UNDP to enact legitimate reforms before reopening its North Korean programs. This suggests the current State Department policy with North Korea is to use aid programs with no fiscal or management controls that directly enrich the regime as a quid pro quo for denuclearization.
 - a. Since we have documented that these types of bilateral and multilateral aid programs, left unaccountable, indisputably enrich the regimes where they operate, wouldn't you agree that giving into this nuclear extortion ultimately undermines U.S. national security interests?
 - b. Will you commit to protecting the U.S. taxpayer from further enrichment of rogue and terror-sponsoring regimes that host UNDP programs and only permit U.S. funding to go to the UNDP after the following takes place:
 - i. publicly posting on the internet the past 5 years worth of UNDP line-item budgets, audits, and program reviews for each UNDP program;
 - ii. posting all new documents of this sort within 2 weeks of completion; and
 - iii. providing unfettered access to the U.S. Government Accountability Office to conduct an audit and investigation of the past 5 years of UNDP activity in North Korea, Burma, Zimbabwe, Syria, and Iran and publicly report to Congress its findings as it pertains to:
 1. fiscal and management controls;
 2. hiring practices;
 3. compliance with international accounting standards and Financial Action Task Force recommendations;
 4. compliance with U.S. export controls for WMD or dual-use capabilities;
 5. compliance with U.N. guidelines, procurement rules, and Security Council resolutions; and
 6. whether or not UNDP programs produce independently documented and measurable results?

Response:

Let me start by addressing your first question: If I am fortunate enough to be confirmed, State Department policy toward North Korea will never be to use aid programs with no fiscal or management controls that directly enrich the regime as a quid pro quo for denuclearization.

I am very troubled by the findings of the Permanent Subcommittee on Investigations' report on UNDP's programs in North Korea. I read with great concern the report's findings that "UNDP operated in North Korea with inappropriate staffing, questionable use of foreign currency instead of local currency, and insufficient administrative and fiscal controls," and that UNDP "impeded reasonable oversight and undermined its whistleblower protections." It is not acceptable for a United Nations agency to be, as the report found, "vulnerable to manipulation by the North Korean government."

I understand that UNDP suspended its program in North Korea in March 2007. I also understand that after several reviews and investigations, a number of recommendations emerged to correct program management weaknesses, some specific to DPRK and others with agency-wide applicability. And it has come to my attention that North Korea has accepted a number of conditions for resuming UNDP activities, and that the Executive Board will take up North Korea's request for resumption this week.

The U.S. Permanent Representative-designate and I take very seriously our responsibility to the U.S. taxpayer to ensure that our UN contributions are well-spent and well-managed. We also take very seriously our commitment to complying with the law. It is clearly in our interest for UNDP to be as efficient and transparent as possible and to not facilitate any illicit activity in the countries in which it has programs. And, to take this one step further, it is vital that Member States—including the United States Government—have reasonable access to all information necessary to have confidence in UNDP programs.

If I am confirmed, I intend to work with the U.S. Permanent Representative-designate to review immediately the conditions proposed for North Korea, the management and program implementation practices in North Korea, and the general steps taken and commitments made by UNDP to improve accountability and transparency. As part of that review, we will consider your proposed improvements on the transparency side and develop a strategy for seeking even greater transparency from UNDP. We will also consider the recommendations of the PSI. This will be part of a larger effort – and commitment – to promote reform and improvement in the overall management and program practices at all UN agencies. We will certainly consult with you and with Congress as this review proceeds.

2. With the resignation of UNDP Administrator Kemal Dervis, shouldn't the United States reject Ad Melkert, the current UNDP Associate Administrator, as his replacement given the fact that Mr. Melkert undermined U.S. efforts to make UNDP audits freely available to members of the UNDP Executive Board, let alone the general public? Will you commit to doing so?

Response:

The United Nations Secretary-General appoints the UNDP Administrator after consultations with member states and subject to General Assembly confirmation. The Secretary-General has requested that member states provide him any nominations by January 31, 2009 as a part of that consultation process. It is worth noting that, in the past, an American has often served as the UNDP Administrator. I am not aware of any formal nominations that have been made to the Secretary-General, nor has he shared with the United States the names of any candidates that he is considering. If confirmed, the U.S. Permanent Representative-designate and I will actively consult the Secretary-General in this process and put forth proposed U.S. candidates in order to ensure that the most qualified individual is selected and that the next Administrator is committed to transparency and accountability and prepared to work closely with the United States. If Mr. Melkert is nominated, we will certainly consult with you and other Members of Congress and more fully solicit your views.

3. Iran is a financial supporter of terrorists, is under U.S. and U.N. sanctions, and has violated five Security Council resolutions demanding that it stop enriching uranium. Some U.N. experts describe the UNDP as a rogue procurement department for rogue regimes, and the Senate investigation of UNDP supports this description.
 - a. Given that the UNDP operates programs in terror-sponsoring Iran, shouldn't the U.S. withhold all its fungible financial support from the UNDP until it provides public access to audits and other program documents, and we can independently verify whether U.S. funds to the UNDP and the dual-use exports the UNDP ships to Iran are diverted by Iran to support the terrorists killing U.S. and Iraqi troops on the battlefields of Iraq and Afghanistan or supporting nuclear, biological, and chemical weapons programs in Iran?
 - b. Will you commit to this common sense policy?

Response:

If I am fortunate enough to be confirmed, I will work with the U.S. Permanent Representative-designate to task a review of the issues you have raised, as well as the creation of a strategy to improve transparency and accountability so that we can verify whether funds are being diverted for purposes at odds with the national security interests of the United States. Withholding all funding to UNDP may not be the most effective method of achieving our objectives, especially given that funding advances our interests elsewhere. My strong preference is to work through the UN's regular budget process to resolve our concerns – as the U.S. cannot credibly expect others to meet their obligations if we fail to meet our own. But we will certainly consult with you and with Congress as this review progresses and recommendations are made.

Iran poses a grave threat to the United States and to the peace and stability of the world. Our policy toward Iran should remain clear and decisive. Section 307(a) of the Foreign Assistance Act of 1961 prohibits funds authorized under that chapter to be available for the U.S. proportionate share for programs for several countries, including Iran, Burma, and North Korea. The State Department implements this provision for UNDP's operations in Iran, as it does for all UN agencies covered by this provision.

We need a policy that uses all elements of American power to pressure Iran to end its nuclear weapons program, its sponsorship of terror, and its continuing interference with the functioning of other governments. That must begin with the power of tough and aggressive American diplomacy, backed by the threat of stronger sanctions.

4. Several U.N. programs, such as the UNDP, utilize a method of funding called “national execution” where the U.N. redistributes funds directly into the central banks of countries where the U.N. works. While the U.N. claims this is to build “capacity” of these countries to perform their own development programs, as in the case of North Korea and Burma, the U.N. has no fiscal controls in place to verify the funds are used as intended. And since money is fungible, there are no guarantees the transferred funds will not pay for things such as the genocide in Burma or the concentration camps of North Korea. For example, the Senate Permanent Subcommittee on Investigations reports the UNDP, while claiming to be transferring economic development money to North Korea, ended up transferring funds to the state-controlled entity that finances the regimes illicit weapons sales—sales which reportedly continue even as recently as August of 2008. The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the promotion of national and international policies to combat money laundering and terrorist financing. FATF has a list of 40 recommendations and 9 special recommendations it uses to test whether financial institutions are taking necessary precautions to avoid terror financing, money-laundering and other illicit activities.
 - a. Will you commit to protecting the U.S. taxpayer from inadvertently funding such things as genocide in Burma or weapon sales to terrorists by North Korea by prohibiting U.S. funds from going to any U.N. System entity or other foreign development organization that transfers funds to banks within states that are not certified by FATF?

Response:

This is an important issue. We intend to carefully review the best way to advance our interests through the UN while at the same time ensuring that U.S. taxpayer dollars are not inadvertently funding the illegal and immoral acts of rogue regimes. The United States, in coordination with allies and partners, has made great strides in preventing terrorism supporters from misusing the formal financial sector. I will work with the President-elect and my fellow Cabinet members as the United States pursues a comprehensive counter-terrorism strategy that deploys all the tools of national power to continue cracking down on terror funding.

5. Shouldn't the U.S. taxpayers know where their money is going at the U.N., and if you are confirmed as Secretary of State, what will you do to ensure compliance at the State Department and other U.S. agencies with the FFATA and reporting U.S. contributions to all U.N. system entities and subgrant information for each U.N. system entity?

Given that this law is such a high priority for President-elect Obama who co-wrote it with me, would you support withholding U.S. funding to the U.N. or any other grantee or subgrantee of the State Department until it complies with U.S. law as found in the FFATA?

Response:

I will make every effort to support the Department's work in complying with the Federal Funding Accountability and Transparency Act (FFATA). I have not been fully briefed on the implementation of FFATA, but I look forward to reviewing this issue and consulting with you on it as we move forward. The U.S. Permanent Representative-designate and I take very seriously our responsibility to the U.S. taxpayer to ensure that our UN contributions are well-spent and well-managed. We also take very seriously our commitment to complying with the law. It is clearly in our interest for UNDP to be as efficient and transparent as possible and to not facilitate any illicit activity in the countries in which it has programs. And, as I noted above, it is vital that Member States—including the United States Government—have reasonable access to all information necessary to have confidence in UNDP programs. If confirmed, we intend to work closely with Congress and the members of this Committee on this and the entire range of issues pertaining to the United Nations.